

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	114.01	0.00	2.50	116.51	0.00	2.50	116.51	116.51
Personal Services	4,852,546	227,551	117,405	5,197,502	258,021	117,825	5,228,392	10,425,894
Operating Expenses	4,807,538	1,278,553	888,117	6,974,208	1,279,778	874,895	6,962,211	13,936,419
Equipment	47,351	0	0	47,351	0	0	47,351	94,702
Local Assistance	477,179,483	7,434,287	8,448,978	493,062,748	1,992,528	23,559,133	502,731,144	995,793,892
Grants	74,197,792	9,194,721	14,217,654	97,610,167	10,776,472	16,148,097	101,122,361	198,732,528
Transfers	0	0	0	0	0	5,000,000	5,000,000	5,000,000
<b>Total Costs</b>	<b>\$561,084,710</b>	<b>\$18,135,112</b>	<b>\$23,672,154</b>	<b>\$602,891,976</b>	<b>\$14,306,799</b>	<b>\$45,699,950</b>	<b>\$621,091,459</b>	<b>\$1,223,983,435</b>
General Fund	480,885,526	7,825,609	8,370,093	497,081,228	2,404,013	23,372,162	506,661,701	1,003,742,929
State/Other Special	1,242,216	(237,983)	(73,133)	931,100	(237,905)	5,009,867	6,014,178	6,945,278
Federal Special	78,956,968	10,547,486	15,302,061	104,806,515	12,140,691	17,244,788	108,342,447	213,148,962
Proprietary	0	0	73,133	73,133	0	73,133	73,133	146,266
<b>Total Funds</b>	<b>\$561,084,710</b>	<b>\$18,135,112</b>	<b>\$23,672,154</b>	<b>\$602,891,976</b>	<b>\$14,306,799</b>	<b>\$45,699,950</b>	<b>\$621,091,459</b>	<b>\$1,223,983,435</b>

### Agency Description

The Superintendent of Public Instruction is an elected official authorized by Article VI, Section 1, of the Montana Constitution. Section 20-3-106, MCA states that the Superintendent "... has the general supervision of the public schools and districts of the state." Section 20-7-301, MCA, names the Superintendent as "the governing agent and executive officer of the State of Montana for K-12 vocational education." The Office of Public Instruction (OPI) provides distribution of funding and services to Montana's school-age children and to teachers in approximately 500 school districts. The staff provides technical assistance in planning, implementing, and evaluating educational programs in such areas as teacher preparation, teacher certification, school accreditation, school curriculum, school finance, and school law. The staff also administers a number of federally-funded programs and provides a variety of information services.

### Summary of Legislative Action

The Office of Public Instruction budget increases by \$26.7 million general fund, or 2.7 percent, and \$83.7 million total funds or 7.3 percent, in the 2003 biennium compared to the 2001 biennium (fiscal 2000 expended plus fiscal 2001 appropriated). General fund increases from the fiscal 2000 base are significantly higher due to the impact of both an increase in BASE aid by the state in fiscal 2001 and an anticipated reduction in enrollment in the 2003 biennium. General fund increases from the base primarily due to the following actions:

1. provision of \$5.0 million general fund (and \$5.083 million state special revenue) to implement the school flexibility account established in SB 390;
2. an increase in BASE aid and special education payments to schools of \$7.2 million to fund present law, and an additional \$24.9 million for a 1.88 percent increase in BASE aid and special education in fiscal 2002 and a further 1.88 percent increase in fiscal 2003;
3. additional funds for school facility payments of \$2.3 million;
4. additional transportation aid of \$0.5 million;
5. additional appropriations totaling \$0.9 million for a variety of other programs to establish funding at the fiscal 2001 appropriated level; and
6. funding of statewide present law adjustments.

General fund was reduced by \$2.85 million when school timber harvest funds used to purchase technology equipment was changed to a statutory appropriation and the funds deposited to a state special revenue account.

This comparison of appropriation authority in the 2003 biennium to the appropriation authority in the 2001 biennium does not include 2001 biennium funding for a BASE aid supplemental of \$8.9 million, as well as increased funding for the Timber for Technology program of \$1.5 million.

State and federal funds increase primarily due to:

1. an increase in various anticipated federal grants and administration of almost \$43.0 million; and
2. a new federal grant and administration for emergency school renovation totaling \$11.0 million.

### **Other Legislation**

The legislature passed a number of bills that impacted K-12 education, as discussed below.

House Bill 625 - HB 625 requires the Office of Public Instruction and the Governor's Office to conduct a study of K-12 education funding. The Governor's Office and OPI are charged with conducting the study, while the interim Education Committee is charged with conducting hearings and taking public comment. Funding was provided to OPI and to the Legislative Services Division from the general fund.

A number of other bills impacted the amount of monies schools will receive, or the method by which funds are received. Each bill is briefly summarized below. For a more detailed discussion of each bill, see the "Program Narrative" section of the Distribution to Public Schools Program.

House Bill 41 - HB 41 provides for the deposition of state timber revenue in a special revenue school technology account, and statutorily appropriates the money. HB 41 also creates a new guarantee subfund in the general fund into which is deposited the interest and income from common school lands. These funds must be used for basic and per-ANB (Average Number Belonging) entitlements.

House Bill 121 - This bill increases the elementary and high school basic and per-ANB entitlements by 1.88 percent in fiscal 2002 and by a further 1.88 percent in fiscal 2003. An additional \$25.8 million above present law is available to schools through this change during the 2003 biennium (appropriated in HB 2).

House Bill 160 - This bill revises special education funding and changes the special education allocation formula.

House Bill 164 - HB 164 revises school general fund limitations by removing the 4 percent growth limitation on school districts that adopt a general fund budget between the BASE and maximum budget.

Senate Bill 65 - SB 65 eliminates the state's obligation to pay school tuition for students who cross a county line to attend school.

Senate Bill 94 - This bill allows 175 percent of special education allowable costs in the maximum budget. On average statewide, SB 94 raises the general fund maximum budget by approximately 1 percent.

Senate Bill 390 - SB 390 creates a new state special school flexibility account, into which general fund of \$5.0 million is transferred in fiscal 2003. The appropriation to schools will be \$5.083 million due to interest accrual.

Agency Budget Comparison								
Budget Item	Base Budget Fiscal 2000	Executive Budget Fiscal 2002	Legislative Budget Fiscal 2002	Leg - Exec. Difference Fiscal 2002	Executive Budget Fiscal 2003	Legislative Budget Fiscal 2003	Leg - Exec. Difference Fiscal 2003	Biennium Difference Fiscal 02-03
FTE	114.01	120.01	116.51	(3.50)	120.01	116.51	(3.50)	
Personal Services	4,852,546	5,298,349	5,197,502	(100,847)	5,329,554	5,228,392	(101,162)	(202,009)
Operating Expenses	4,807,538	7,512,227	6,974,208	(538,019)	7,523,325	6,962,211	(561,114)	(1,099,133)
Equipment	47,351	72,351	47,351	(25,000)	72,351	47,351	(25,000)	(50,000)
Local Assistance	477,179,483	485,743,770	493,062,748	7,318,978	495,715,925	502,731,144	7,015,219	14,334,197
Grants	74,197,792	88,188,474	97,610,167	9,421,693	90,583,925	101,122,361	10,538,436	19,960,129
Transfers	0	0	0	0	0	5,000,000	5,000,000	5,000,000
<b>Total Costs</b>	<b>\$561,084,710</b>	<b>\$586,815,171</b>	<b>\$602,891,976</b>	<b>\$16,076,805</b>	<b>\$599,225,080</b>	<b>\$621,091,459</b>	<b>\$21,866,379</b>	<b>\$37,943,184</b>
General Fund	480,885,526	490,402,003	497,081,228	6,679,225	500,392,614	506,661,701	6,269,087	12,948,312
State/Other Special	1,242,216	931,100	931,100	0	931,178	6,014,178	5,083,000	5,083,000
Federal Special	78,956,968	95,329,985	104,806,515	9,476,530	97,749,174	108,342,447	10,593,273	20,069,803
Proprietary	0	152,083	73,133	(78,950)	152,114	73,133	(78,981)	(157,931)
<b>Total Funds</b>	<b>\$561,084,710</b>	<b>\$586,815,171</b>	<b>\$602,891,976</b>	<b>\$16,076,805</b>	<b>\$599,225,080</b>	<b>\$621,091,459</b>	<b>\$21,866,379</b>	<b>\$37,943,184</b>

### Executive Budget Comparison

The differences between legislative action and the budget recommended by Governor Martz include the following changes. The legislature:

?? Did not approve funding for:

- o the School Improvement - Focus on Learning Project - \$1.0 million general fund;
- o implementation of cultural education - \$120,000 general fund; and
- o completion and maintenance of non-fiscal data submission - \$100,000 general fund.

?? Did not fund requested increases for:

- o traffic safety education administration - \$24,000 state special revenue; and
- o advanced driver's education - \$157,931 proprietary funds.

?? Added the following:

- o funding to implement the flexibility account established in SB 390 - \$5.0 million general fund and \$5.1 million state special revenue (for a further discussion see "Other Legislation");
- o funding over the Governor's proposed level for increases in BASE Aid - \$10.5 million general fund. The Governor had requested an increase of 3 percent in fiscal 2003. The legislature provided an increase of 1.88 percent in fiscal 2002 and a further 1.88 percent in fiscal 2003 (for a further discussion see "Other Legislation");
- o emergency school renovation - \$11.0 million federal funds; and
- o various other federal funds - \$9.1 million.

The legislature also made a reduction in general fund equivalent to 13.5 percent of all general fund travel expenditures in the base year (\$38,138 over the biennium), and a reduction in general fund equivalent to 1 percent of FTE funded from that source (\$48,558 over the biennium). No FTE were reduced.

### Language

Item [OPI Operations] includes a reduction of \$24,236 in fiscal 2002 and \$24,322 in fiscal 2003 of general fund. The office may reallocate this reduction in FTE and funding among programs when developing 2003 biennium operating plans. The Office of Budget and Program Planning shall provide a report that details reallocation to the Legislative Finance Committee by October 15 of each fiscal year.

Item [OPI Operations] includes a reduction in general fund of \$19,069 in fiscal 2002 and \$19,069 in fiscal 2003. This is the equivalent of a 13 percent reduction in fiscal 2000 base budget travel expenses.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	114.01	0.00	2.50	116.51	0.00	2.50	116.51	116.51
Personal Services	4,852,546	227,551	117,405	5,197,502	258,021	117,825	5,228,392	10,425,894
Operating Expenses	4,805,731	1,278,553	888,117	6,972,401	1,279,778	874,895	6,960,404	13,932,805
Equipment	47,351	0	0	47,351	0	0	47,351	94,702
Local Assistance	15,330	0	0	15,330	0	0	15,330	30,660
Grants	0	0	0	0	0	0	0	0
<b>Total Costs</b>	<b>\$9,720,958</b>	<b>\$1,506,104</b>	<b>\$1,005,522</b>	<b>\$12,232,584</b>	<b>\$1,537,799</b>	<b>\$992,720</b>	<b>\$12,251,477</b>	<b>\$24,484,061</b>
General Fund	4,330,299	132,396	(103,885)	4,358,810	152,559	(128,971)	4,353,887	8,712,697
State/Other Special	242,216	12,017	(73,133)	181,100	12,095	(73,133)	181,178	362,278
Federal Special	5,148,443	1,361,691	1,109,407	7,619,541	1,373,145	1,121,691	7,643,279	15,262,820
Proprietary	0	0	73,133	73,133	0	73,133	73,133	146,266
<b>Total Funds</b>	<b>\$9,720,958</b>	<b>\$1,506,104</b>	<b>\$1,005,522</b>	<b>\$12,232,584</b>	<b>\$1,537,799</b>	<b>\$992,720</b>	<b>\$12,251,477</b>	<b>\$24,484,061</b>

### Program Description

The Administration Program provides leadership and coordination of services to a variety of school and public groups. Staff provides assistance to the Superintendent of Public Instruction in performing the duties prescribed. The program:

1. supports the Superintendent's statutory role with the Board of Public Education, Board of Regents, and Land Board;
2. is responsible for the distribution and accounting of state and federal funds provided to school districts;
3. provides operational support to OPI; and
4. provides assistance and information to school districts.

The program also administers all federal grants received by OPI, including the budgets for:

1. curriculum assistance;
2. special education;
3. ESEA Title I, II, III, IV and VI administration;
4. secondary vocational education administration; and
5. other educational services including drivers' education, school food services, and audiology.

### Funding

The Administration Program is funded with a combination of general fund, state special revenue, federal funds, and proprietary funds. General fund completely supports the Superintendent's Office, legal services, teacher education and licensure, accreditation, state distribution to schools administration, and information systems support. General fund partially supports (with federal funds) measurement and accountability; information/technology support; curriculum services; health enhancement and safety; educational opportunity and equity; special education; and career, vocational, and adult services.

State special revenue supports traffic and safety education, and school lunch administration.

Federal funds support a variety of activities related to various federal grants and federally supported activities.

Present Law Adjustments										
-----Fiscal 2002-----					-----Fiscal 2003-----					
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services				437,981						469,711
Vacancy Savings				(143,485)						(144,429)
Inflation/Deflation				6,936						13,915
Fixed Costs				(49,599)						(62,218)
<b>Total Statewide Present Law Adjustments</b>				<b>\$251,833</b>						<b>\$276,979</b>
DP 6 - Replace Base Adjustment	0.00	10,000	0	0	10,000	0.00	10,000	0	0	10,000
DP 8 - Indirect Cost of Base Adjustments	0.00	24,483	411	17,885	42,779	0.00	27,674	411	19,500	47,585
DP 12 - Federal Grant Award Administration	0.00	0	0	1,508,581	1,508,581	0.00	0	0	1,728,581	1,728,581
DP 16 - Special Education Grant	0.00	0	0	(185,602)	(185,602)	0.00	0	0	(385,602)	(385,602)
DP 17 - School To Work Program Reduction	0.00	0	0	(24,391)	(24,391)	0.00	0	0	(44,866)	(44,866)
DP 18 - Job Training Partnership Act	0.00	0	0	(20,856)	(20,856)	0.00	0	0	(20,856)	(20,856)
DP 19 - Traffic Education Administration	0.00	0	12,000	0	12,000	0.00	0	12,000	0	12,000
DP 698 - Rent Reduction - Use of Capitol Land Grant	0.00	(10,819)	(737)	(9,739)	(21,295)	0.00	(9,532)	(649)	(8,580)	(18,761)
DP 699 - Vacancy Savings at 4 Percent	0.00	(35,284)	(2,074)	(29,587)	(66,945)	0.00	(35,446)	(2,084)	(29,731)	(67,261)
<b>Total Other Present Law Adjustments</b>										
	0.00	(\$11,620)	\$9,600	\$1,256,291	\$1,254,271	0.00	(\$7,304)	\$9,678	\$1,258,446	\$1,260,820
<b>Grand Total All Present Law Adjustments</b>				<b>\$1,506,104</b>						<b>\$1,537,799</b>

### Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 6 - Replace Base Adjustment - The legislature added funds to the base to replace funding provided by this agency to augment funding in support of the Statewide Accounting, Budgeting, and Human Resources System (SABHRS), which replaced the Statewide Budget and Accounting System (SBAS) in the 2001 biennium. Several agencies were asked to provide one-time resources to support SABHRS in fiscal 2000. Contrary to an agreement with the agency that these funds would be left in the agency's base funding, the funds were removed from OPI's budget during the budget building process.

DP 8 - Indirect Cost of Base Adjustments - This adjustment adds funds to each function's budget in order to meet the indirect costs that support certain central services. Each agency function pays for an assessment equal to 17 percent against all personal services and most operating costs. This funds certain centralized functions of the agency, including payroll, accounting, and fixed costs. The rate (which must be approved by the legislature) and the functions it supports are discussed in more detail in the proprietary rate section of this document.

DP 12 - Federal Grant Award Administration - The legislature provides additional spending authority for funds provided by the federal government in support of the administration of current federal grants. Table 1 shows each grant and the additional funds requested.

Table 1  
Increased Federal Grant Administration  
2003 Biennium

Grant	Fiscal 2002	Fiscal 2003
Bilingual Education	\$75,000	\$75,000
Bilingual Professional Development	75,000	75,000
Comprehensive School Reform	30,000	50,000
Drug Free Schools (Indirects)	8,024	8,024
Homeless	20,000	20,000
IDEA B	604,557	804,557
Immigrant	1,000	1,000
Learn and Serve	10,000	10,000
Title I Evenstart	15,616	15,616
Title I Low Income	589,284	589,284
Title I Migrant	18,721	18,721
Title I Neglected	1,379	1,379
Title II Math/Science	40,000	40,000
Title VI Innovative Ed	20,000	20,000
Total	<u>\$1,508,581</u>	<u>\$1,728,581</u>

DP 16 - Special Education Grant - The Special Education IDEA Secondary Transition Grant, a five-year project funded by the U.S. Department of Education, ends September 30, 2001 (fiscal 2002). This decision package eliminates all base year expenditures.

DP 17 - School To Work Program Reduction - This decision package reduces the appropriation used for the administration of the School to Work Program as a result of reductions made at the federal level. Fiscal 2002 is the last year the grant will be funded. The School to Work Program was designed to provide students (especially those in smaller schools) with opportunities for career exploration and real-world application of learned skills. When the 1999 legislature provided funding for School to Work, it did so with the understanding that the funding for this project might not continue. The Office of Public Instruction indicated that the funds would be used in part to establish a framework that schools could integrate into their curriculums, thereby providing sustainability at such time as the funding was no longer available. The legislature provided \$5.3 million in federal funds to OPI for the School to Work Program, including \$249,793 for administration, in

the 2001 biennium. The agency expended \$2,752,682 in fiscal 2000, of which \$129,999 was expended in this program. This reduction reduces funding for administration to \$105,608 in fiscal 2002 and \$85,133 in fiscal 2003. The Distributions to Schools Program includes the reduction in federal grant authority to reflect the elimination of the grant.

DP 18 - Job Training Partnership Act - This decision package eliminates funding for the Job Training Partnership Act (JTPA), which has been discontinued by the federal government and replaced with the Work Force Investment Act. The Office of Public Instruction used JTPA funds to supplement various programs, including adult basic education. According to the agency, OPI will get a limited amount of Work Force Investment Funds. The JTPA funding to these programs will not be replaced.

DP 19 - Traffic Education Administration - The Traffic Education Program operates through state special revenue funds set aside for traffic education. The Health Enhancement and Safety Division administers this program, which, in part, is required to conduct periodic onsite drivers'-education program reviews. The program also develops, prints, and distributes instructional materials. The legislature funded an increase to allow the program to conduct the periodic program review obligation and revise the current curriculum guide, which was last updated in 1993.

DP 698 - Rent Reduction - Use of Capitol Land Grant - The legislature approved using Capitol Land Grant funds to augment rent payments made by tenants. Capital Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals											
Fiscal 2002						Fiscal 2003					
Prgm	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
DP 5 - National Board Certification Stipend											
06	0.00	30,000		0	0	30,000	0.00	30,000	0	0	30,000
DP 13 - Special Ed: State Improvement Grant											
06	2.75	0		0	550,000	550,000	2.75	0	0	550,000	550,000
DP 15 - Advanced Driver Ed Change to Proprietary											
06	0.00	0	(73,133)		0	0*	0.00	0	(73,133)	0	0*
DP 18 - Advanced Placement Incentive Program.											
06	0.00	0		0	27,557	27,557	0.00	0	0	39,841	39,841
DP 20 - Coordinated School Health Program											
06	0.50	0		0	477,013	477,013	0.50	0	0	477,013	477,013
DP 23 - Eliminate Toll-Free Lines for METNET											
06	0.00	(28,080)		0	0	(28,080)	0.00	(28,080)	0	0	(28,080)
DP 24 - Eliminate Communications Position											
06	(1.00)	(100,000)		0	0	(100,000)	(1.00)	(100,000)	0	0	(100,000)
DP 50 - Emergency Renovation for Schools											
06	1.00	0		0	54,837	54,837	1.00	0	0	54,837	54,837
DP 650 - Implementation of HB 124											
06	0.25	37,500		0	0	37,500	0.25	12,500	0	0	12,500
DP 689 - FTE Reduction											
06	(1.00)	0		0	0	0	(1.00)	0	0	0	0
DP 691 - Personal Services General Fund Reduction											
06	0.00	(24,236)		0	0	(24,236)	0.00	(24,322)	0	0	(24,322)
DP 693 - Statewide Travel Reduction											
06	0.00	(19,069)		0	0	(19,069)	0.00	(19,069)	0	0	(19,069)
<b>Total</b>	<b>2.50</b>	<b>(\$103,885)</b>	<b>(\$73,133)</b>	<b>\$1,109,407</b>	<b>\$1,005,522*</b>	<b>2.50</b>	<b>(\$128,971)</b>	<b>(\$73,133)</b>	<b>\$1,121,691</b>	<b>\$992,720*</b>	

### New Proposals

DP 5 - National Board Certification Stipend - This addition, which partially funds one of the recommendations of the Governor's Task Force on Teacher Shortage/Teacher Salaries, provides a \$3,000 one-time stipend for Montana teachers who are certified by the National Board of Professional Teaching Standards and who teach full-time in a Montana public school district. Funding is sufficient to provide 10 Montana teachers with this stipend in both years of the biennium. The stated goal of the stipend is to recruit and retain high quality teachers.

DP 13 - Special Ed: State Improvement Grant - This addition provides authority to expend the federal State Improvement Grant, and includes 2.75 FTE for the Special Education Division. The project targets the areas of personnel preparation, recruitment, retention, and professional development.

DP 15 - Advanced Driver Ed Change to Proprietary - This decision package changes the Advanced Driver's Education Program fund from a state special designation to a proprietary designation. The Advanced Driver Education Program is funded from participant fees. The Legislative Finance Committee informally recommended this change. Since the program is self-supporting and has the characteristics of an enterprise function, changing to a proprietary fund would allow the program to respond to increased demand and utilize the increased revenue without seeking a budget amendment.

DP 18 - Advanced Placement Incentive Program - This decision package adds federal funds for the Advanced Placement Incentive Program. The program is intended to encourage low-income students to participate in Advance Placement courses in preparation for the more challenging coursework of the higher grades, and to lay the groundwork for college success. The legislature also funded direct grants to school districts of \$433,500 in the Distribution to Schools Program. (For further discussion, see the narrative for DP 19 in the New Proposals section of that program.)

DP 20 - Coordinated School Health Program - This decision package adds 0.50 FTE and operating expenses (including over \$350,000 each year for consulting and professional services) to implement a program to enhance OPI's ability to provide support to school districts in their efforts to establish health prevention education programs. Federal funds provide the support for this program.

DP 23 - Eliminate Toll-Free Lines for METNET - This decision package eliminates toll free lines for METNET services, and would require schools and teachers to use the Internet to access electronic services provided by OPI.

DP 24 - Eliminate Communications Position - This decision package eliminates the communications position and related operating expenses in the Superintendent's Office.

DP 50 - Emergency Renovation for Schools - This decision package provides appropriation authority to spend a new grant provided by the federal government to assist in the provision of funds for emergency renovation at schools. The appropriation in this program represents the 1 percent of the total grant allowed for administration purposes. The pass-through to schools is included in the Distribution to Schools Program and totals almost \$5.5 million each year. This is a one-time-only appropriation due to uncertainty that the federal government will continue the grant past this biennium.

DP 650 - Implementation of HB 124 - The legislature added a 0.25 FTE in each year of the biennium and \$25,000 in fiscal 2002 for computer processing to implement the provisions of HB 124.

DP 689 - FTE Reduction - The legislature reduced FTE for all positions vacant for over seven months. Funds were not reduced for the 2003 biennium, but the eliminated positions are not to be funded in the present law base budget submitted for the 2005 biennium.

DP 691 - Personal Services General Fund Reduction - The legislature reduced general fund personal services funding at a level equivalent to the general fund share of 1 percent of authorized FTE. No FTE were reduced.

DP 693 - Statewide Travel Reduction - The legislature made a reduction in general fund equivalent to 13.5 percent of base year travel expenditures made from that source. The entire reduction was made to this division, with the allowance that the agency could reallocate this reduction among divisions when developing 2003 biennium operating plans.

### **Language**

It is the intent of the legislature that the Advanced Driver Education program be funded through a proprietary account.

Item [OPI Operations] includes a reduction of \$24,236 in fiscal 2002 and \$24,322 in fiscal 2003 of general fund. The office may reallocate this reduction in FTE and funding among programs when developing 2003 biennium operating plans. The Office of Budget and Program Planning shall provide a report that details reallocation to the Legislative Finance Committee by October 15 of each fiscal year.

Item [OPI Operations] includes a reduction in general fund of \$19,069 in fiscal 2002 and \$19,069 in fiscal 2003. This is the equivalent of a 13 percent reduction in fiscal 2000 base budget travel expenses.

Item [OPI Operations] includes \$37,500 of general fund in fiscal 2002 and \$12,500 of general fund in fiscal 2003 that are contingent upon passage and approval of HB 124. (Note - HB 124 was passed and approved.)

Item [National Board Certification Stipends] is to provide up to 10 teachers each fiscal year who obtain certification by the National Board for Professional Teaching Standards with a one-time stipend of \$3,000.

Item [Federal Funds] is a biennial appropriation.

### **Proprietary Rates**

### **Program Description**

OPI's internal service fund is used to pool internal and statewide central service costs charged back to all of OPI's state- and federally-funded programs using a preapproved indirect cost rate.



**Revenues and Expenses**

Expenditures accounted for as indirect costs include all internal payroll, human resource, accounting, budgeting, cash management, financial reporting, procurement, word processing, mail delivery, library services, most statewide fixed costs, statewide indirect costs, and all other costs that cannot reasonably be identified with a particular program. A total of 19.55 FTE are funded from revenues deposited in this fund.

Indirect cost pool revenues are based on expenditures recorded by the Administration Program. Revenues are generated by applying an approved indirect cost rate to all direct personal services; operating expenditures are recorded for state- and federally-funded programs.

**Rate Explanation**

OPI negotiates a three-year "predetermined rate" with the U.S. Department of Education. The rate approved for fiscal years 1999 through 2001 is 17 percent. A new rate will be negotiated for the 2003 biennium based on actual costs incurred in fiscal year 2000. No significant change in the rate is anticipated. The legislature approved a rate of 17 percent each fiscal year.

**Significant Present Law**

The base budget was established for the indirect cost pool at half the biennial amount appropriated for the 2001 biennium, with an additional assumption of increases to pay for Department of Administration SABHRS charges and to meet the costs associated with employee terminations.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	1,807	0	0	1,807	0	0	1,807	3,614
Local Assistance	477,164,153	7,434,287	8,448,978	493,047,418	1,992,528	23,559,133	502,715,814	995,763,232
Grants	74,197,792	9,194,721	14,217,654	97,610,167	10,776,472	16,148,097	101,122,361	198,732,528
Transfers	0	0	0	0	0	5,000,000	5,000,000	5,000,000
<b>Total Costs</b>	<b>\$551,363,752</b>	<b>\$16,629,008</b>	<b>\$22,666,632</b>	<b>\$590,659,392</b>	<b>\$12,769,000</b>	<b>\$44,707,230</b>	<b>\$608,839,982</b>	<b>\$1,199,499,374</b>
General Fund	476,555,227	7,693,213	8,473,978	492,722,418	2,251,454	23,501,133	502,307,814	995,030,232
State/Other Special	1,000,000	(250,000)	0	750,000	(250,000)	5,083,000	5,833,000	6,583,000
Federal Special	73,808,525	9,185,795	14,192,654	97,186,974	10,767,546	16,123,097	100,699,168	197,886,142
<b>Total Funds</b>	<b>\$551,363,752</b>	<b>\$16,629,008</b>	<b>\$22,666,632</b>	<b>\$590,659,392</b>	<b>\$12,769,000</b>	<b>\$44,707,230</b>	<b>\$608,839,982</b>	<b>\$1,199,499,374</b>

### Program Description

The Distribution to Public Schools Program is used by OPI to distribute various state and federal funds to local education agencies.

### Program Narrative

The 57th legislature in HB 2 increased total state aid to K-12 districts by \$36.8 million over present law amounts for the 2003 biennium. As shown in Table 2, BASE aid was increased by \$26.7 million (HB 121 and SB 65), the state special education appropriation was increased by \$1.0 million (HB 2), school facility reimbursements were increased by \$1.1 million (HB 2), and spending for Timber for Technology was increased by \$2.9 million (HB 41). In addition, the legislature created a new state School Flexibility Account from which \$5.1 million is appropriated to school districts in fiscal 2003 (SB 390).

Table 2  
HB 2 Appropriations to K-12 School Districts  
(Millions)

Account	Fiscal 2002			Fiscal 2003			Biennial Change
	Present Law	New Law	Change	Present Law	New Law	Change	
<b>General Fund</b>							
BASE Aid (HB 121 & HB 2 & SB 65)	\$ 431.98	\$ 440.78	\$ 8.80	\$ 425.94	\$ 443.89	\$ 17.95	\$ 26.74
Special Education (HB 2)	33.90	33.90	-	33.90	34.92	1.02	1.02
School Facility Reimbursements (HB 2)	4.00	4.35	0.35	4.00	4.70	0.70	1.05
Other General Fund (HB 2)	13.67	13.70	0.02	13.78	13.80	0.02	0.05
Total General Fund	<u>\$ 483.55</u>	<u>\$ 492.72</u>	<u>\$ 9.17</u>	<u>\$ 477.62</u>	<u>\$ 497.31</u>	<u>\$ 19.69</u>	<u>\$ 28.86</u>
<b>State Special</b>							
Traffic Safety Distribution (HB 2)	\$ 0.75	\$ 0.75	\$ -	\$ 0.75	\$ 0.75	\$ -	\$ -
School Technology Acct-Statutory (HB 41)	-	1.25	1.25	-	1.60	1.60	2.85
School Flexibility Account (SB 390)	-	-	-	-	5.08	5.08	5.08
Total State Special	<u>\$ 0.75</u>	<u>\$ 2.00</u>	<u>\$ 1.25</u>	<u>\$ 0.75</u>	<u>\$ 7.43</u>	<u>\$ 6.68</u>	<u>\$ 7.93</u>
<b>Total State Distribution to Schools</b>	<u>\$ 484.30</u>	<u>\$ 494.72</u>	<u>\$ 10.42</u>	<u>\$ 478.37</u>	<u>\$ 504.74</u>	<u>\$ 26.37</u>	<u>\$ 36.79</u>
<b>Federal</b>	<u>\$ 82.99</u>	<u>\$ 97.19</u>	<u>\$ 14.19</u>	<u>\$ 84.58</u>	<u>\$ 100.70</u>	<u>\$ 16.12</u>	<u>\$ 30.32</u>

General Fund excludes \$5.0 million transfer from general fund to state special flexibility account

BASE aid appropriations and flex account appropriation in FY 2003 will be made only if SB 495 is not enjoined before April 1, 2002.

If SB 495 is enjoined before then, BASE aid in FY 2003 will be \$5.6 million less, and the flex account appropriation is void.

*ANB*

Table 3 shows Average Number Belonging (ANB), a measure of the number of students, for which entitlements and other state funding were budgeted during the session. Compared with fiscal 2001, ANB are expected to decline by 3,117 in fiscal 2002 and by an additional 2,757 in fiscal 2003.

Table 3 Average Number Belonging (ANB) in Montana Schools							
Fiscal Year	Elementary	Percent Change	High School	Percent Change	Total	Percent Change	
A	1994	111,507	45,443		156,950		
A	*1995	114,772	2.9%	47,818	5.2%	162,590	3.6%
A	1996	114,734	0.0%	49,045	2.6%	163,779	0.7%
A	1997	114,160	-0.5%	50,582	3.1%	164,742	0.6%
A	1998	112,449	-1.5%	51,432	1.7%	163,881	-0.5%
A	1999	109,652	-2.5%	51,885	0.9%	161,537	-1.4%
A	2000	107,724	-1.8%	52,022	0.3%	159,746	-1.1%
A	2001	106,014	-1.6%	51,524	-1.0%	157,538	-1.4%
A	2002	103,634	-2.2%	50,787	-1.4%	154,421	-2.0%
E	2003	101,168	-2.4%	50,496	-0.6%	151,664	-1.8%

\* includes for the first time, students who spend more than 1/2 day in special education class  
A = Actual; E = Estimated

*Legislation Impacting Schools*

House Bill 2 provided the appropriations for the 2003 biennium distribution to schools. A number of bills implementing state spending increases were passed. A summary of the legislative action of the 57th legislature follows:

House Bill 121 - increases the elementary and high school basic and per-ANB entitlements by 1.88 percent in fiscal 2002 and by 1.88 percent in fiscal 2003. The increase in fiscal 2003 is contingent upon SB 495 surviving uncontested by April 1, 2002. If SB 495 is enjoined before April 1, 2002, the percent increase in entitlements in fiscal 2003 will be 0.79 percent. If SB 495 survives unchallenged, state spending will increase by \$25.8 million above present law during the 2003 biennium.

Table 4 provides a summary of the entitlement changes made by HB 121.

Table 4 K-12 Entitlement Changes - HB 121					
	Fiscal 2001	Fiscal 2002	Percent Change	Fiscal 2003	Percent Change
Elementary Basic Entitlement	18,540	18,889	1.88%	19,244	1.88%
High School Basic Entitlement	206,000	209,873	1.88%	213,819	1.88%
Elementary Per-ANB Entitlement	3,763	3,834	1.88%	3,906	1.88%
High School Per-ANB Entitlement	5,015	5,109	1.88%	5,205	1.88%

Note: Change in fiscal 2003 is contingent upon SB 495. If SB 495 is enjoined before April 1, 2002, then the percentage change in entitlements is 0.79 percent.

Senate Bill 65 - eliminates the state's obligation to pay school tuition for students who cross a county line to attend school. The state will continue to pay tuition for students who attend school outside their resident district because a state agency or a court, including a tribal court, has placed them in a home or institution outside their resident district. The sending district will pay tuition when the children attend another district because of a geographic barrier between the child and the school of residence. In all other cases, parents will pay the tuition or the receiving district may waive tuition charges.

The county will continue to pay the state's share of tuition by withholding the amount out of 55-mill property tax payments made by the county to the state. Because fewer students will qualify for state-paid tuition, the amount of 55-mill revenue will increase by \$919,000 in fiscal 2003. SB 65 also changes the way the receiving school district accounts for the receipt of tuition. Under previous law, districts were required to receive tuition payments in the district general fund below the BASE budget, thereby offsetting local property taxes and GTB. Under SB 65, receiving districts are allowed to budget for tuition receipts in the overBASE portion of the district general fund. As a result, state GTB payments will increase by \$900,000 in fiscal 2003.

House Bill 41 - provides for the deposition of state timber revenue in a special revenue school technology account, and statutorily appropriates the money for distribution to school districts. Formerly, the money was appropriated in HB 2 from the general fund. Districts may use the money for the purchase of technology items. It is expected that timber revenue will be \$1.25 million in fiscal 2002 and \$1.6 million in fiscal 2003.

HB 41, in conjunction with SB 495, also creates a new guarantee subfund in the general fund where the interest and income from common school lands is deposited. The money in the subfund must be used for basic and per-ANB entitlements.

Senate Bill 390 - creates a new state special School Flexibility Account, into which is transferred from the general fund \$5 million in fiscal 2003. The appropriation to school districts out of the state flexibility account in fiscal 2003 is \$5.083 million. The spending of the flex account money will take place in November of 2002, and reflects interest for a quarter of a year.

SB 390 also:

- ?? Creates a new district School Flexibility Account (beginning in fiscal 2003), which may be used to fund: 1) technological equipment enhancements; 2) facility expansion and remodeling; 3) supplies and materials; 4) student assessment and evaluation; 5) the development of curriculum materials; 6) training for classroom staff; 7) free or reduced price housing for classroom teachers; 8) incentives for the recruitment and retention of classroom teachers and other certified staff; and 9) increases in energy costs. In fiscal 2003, districts will receive \$5 million plus interest from the state to support the School Flexibility Account. In addition, a district may propose a voted levy not to exceed 25 percent of the flex funding it receives from the state
- ?? Allows a district whose current year general fund budget exceeds the ensuing year's maximum general fund budget to adopt a general fund budget for the ensuing year up to the current year's general fund budget for up to five years
- ?? Expands the uses of the building reserve fund to include a school transition levy for transition costs related to the opening or closing of a school, replacement of a school building, or consolidation or annexation of school districts
- ?? Extends the deadlines relating to school elections for the spring of 2001

Table 5 shows the method by which money in the state flexibility account will be distributed among school districts in the state.

Table 5 Spending from School District Flexibility Account		
Flex Spending Item	Percentage	Distribution
K-12 Public Schools Amount	15.0%	Number of School Sites per 20-6-501
Large District K-12 Public Schools Amount	25.0%	Number of School Sites > 250 ANB
Current Student Amount	20.0%	ANB - prior year
Average Student Amount	40.0%	5-year average ANB
-- Local effort may match flex account amount with 25% local voted property tax levy		

House Bill 160 - Revises special education funding and changes the special education allocation formula to the following:

- ?? 52.5 percent to instructional block grants
- ?? 17.5 percent to related services block grants
- ?? 25 percent to reimbursement of local districts
- ?? 5 percent to special education cooperatives and joint board for administration and travel

House Bill 164 - Revises school general fund limitations by removing the 4 percent growth limitation on school districts that adopt a general fund budget between the BASE and the maximum budget.

House Bill 625 - An interim study of school funding, HB 625 directs the Governor, with assistance from the State Superintendent of Public Instruction, to conduct a study of school funding. The study is to be completed by December 31, 2001 and presented to the interim legislative committee on Education. The legislative committee will hold hearings on the study and make recommendations to the 2003 legislature.

Senate Bill 94 - For fiscal year 2002, the bill redefines the maximum general fund budget to include 175 percent of the state special education allowable cost payment. For fiscal 2003 and beyond, the maximum general fund budget includes at least 175 percent of the state special education allowable cost payment, but it may include up to 200 percent for a district that reports special education expenditures in excess of the 175 percent threshold. On average statewide, SB 94 raises the general fund maximum budget by approximately 1 percent.

### **Funding**

Table 6 is a complete listing of appropriations by fund type included in the Distribution to Schools program.

Table 6  
HB 2 Distribution to Schools, General Fund, State Special, and Federal Funds

Description	Base Budget 2000	PL Base Adjustments Fiscal 2002	New Proposals Fiscal 2002	Total Fiscal 2002	PL Base Adjustments Fiscal 2003	New Proposals Fiscal 2003	Total Fiscal 2003
<b>General Fund</b>							
Direct State Aid	\$285,014,058	\$31,014,216	\$6,118,767	\$322,147,041	\$26,328,788	\$12,146,539	\$323,489,386
GTB - School General Fund	120,232,160	(24,581,236)	2,296,463	97,947,386	(25,931,493)	5,645,234	99,945,902
GTB - School Retirement	21,079,332	(779,332)	381,573	20,681,573	(779,332)	154,712	20,454,712
School Facility Reimbursement	3,359,559	640,441	350,000	4,350,000	640,441	700,000	4,700,000
Special Education	33,879,457	20,393	-	33,899,850	20,393	1,016,996	34,916,846
Transportation	10,587,993	200,000	-	10,787,993	300,000	-	10,887,993
Instate Treatment	506,215	468,682	-	974,897	468,682	-	974,897
Secondary Vo Ed	720,000	(5,000)	-	715,000	(5,000)	-	715,000
Adult Basic Ed	250,000	-	25,000	275,000	-	25,000	275,000
Gifted & Talented	141,074	8,926	-	150,000	8,926	-	150,000
School Food	648,653	-	-	648,653	-	-	648,653
Other	136,725	8,300	-	145,025	12,700	-	149,425
School Flexibility Account	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,000,000</u>	<u>5,000,000</u>
Total General Fund	\$476,555,227	\$6,995,389	\$9,171,803	\$492,722,418	\$1,064,106	\$24,688,481	\$502,307,814
<b>State Special Revenue</b>							
Traffic Safety Distribution	\$1,000,000	(\$250,000)	\$0	\$750,000	(\$250,000)	\$0	\$750,000
Timber School Technology Acct-Statutory	-	-	1,250,000	1,250,000	-	1,600,000	1,600,000
Flex Account	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,083,000</u>	<u>5,083,000</u>
Total State Special	\$1,000,000	(\$250,000)	\$1,250,000	\$2,000,000	(\$250,000)	\$6,683,000	\$7,433,000
<b>Federal Special Revenue</b>							
Federal School Foods Programs	\$17,939,414	\$28,500	\$0	\$17,967,914	\$28,500	\$0	\$17,967,914
ESEA - Title I	28,174,873	2,500,000	-	30,674,873	3,500,000	-	31,674,873
ESEA Title II - Eisenhower Pro Dev	1,256,390	500,000	-	1,756,390	500,000	-	1,756,390
ESEA Title III-Tech Literacy Challenge	2,804,972	-	-	2,804,972	-	-	2,804,972
ESEA Title IV Safe & Drug Free Schools	1,678,389	-	-	1,678,389	-	-	1,678,389
ESEA Title VI - Innovative Education	1,684,182	500,000	-	2,184,182	500,000	-	2,184,182
ESEA Title VII - Immigrant Education	35,199	6,000	-	41,199	6,000	-	41,199
IDEA	13,086,597	5,927,000	-	19,013,597	8,657,000	-	21,743,597
Adult Basic Education	1,220,107	160,000	-	1,380,107	160,000	-	1,380,107
Job Training Partnership Act (JTPA)	240,705	(240,705)	-	-	(240,705)	-	-
Carl Perkins	2,845,689	-	-	2,845,689	-	-	2,845,689
School to Work	2,748,249	(300,000)	-	2,448,249	(2,448,249)	-	300,000
Education of Homeless Children	49,739	75,000	-	124,739	75,000	-	124,739
Learn and Serve Montana	44,020	30,000	-	74,020	30,000	-	74,020
Reduced Class Size BL	-	-	7,605,780	7,605,780	-	9,492,523	9,492,523
Advanced Placement Fee Reimbursement	-	-	194,900	194,900	-	238,600	238,600
Emergency School Renovation	-	-	5,428,913	5,428,913	-	5,428,913	5,428,913
Comprehensive School Reform	<u>0</u>	<u>0</u>	<u>963,061</u>	<u>963,061</u>	<u>0</u>	<u>963,061</u>	<u>963,061</u>
Total Federal Special	\$73,808,525	\$9,185,795	\$14,192,654	\$97,186,974	\$10,767,546	\$16,123,097	\$100,699,168
<b>Total General Fund</b>	\$476,555,227	\$6,995,389	\$9,171,803	\$492,722,418	\$1,064,106	\$24,688,481	\$502,307,814
<b>Total State Special</b>	1,000,000	(250,000)	1,250,000	2,000,000	(250,000)	6,683,000	7,433,000
<b>Total Federal Special</b>	<u>73,808,525</u>	<u>9,185,795</u>	<u>14,192,654</u>	<u>97,186,974</u>	<u>10,767,546</u>	<u>16,123,097</u>	<u>100,699,168</u>
<b>Total HB 2 Distribution to Public Schools</b>	<u>\$551,363,752</u>	<u>\$15,931,184</u>	<u>\$24,614,457</u>	<u>\$591,909,392</u>	<u>\$11,581,652</u>	<u>\$47,494,578</u>	<u>\$610,439,982</u>

Present Law Adjustments										
-----Fiscal 2002-----						-----Fiscal 2003-----				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 1 - K-12 Base Aid	0.00	6,371,864	0	0	6,371,864	0.00	825,705	0	0	825,705
DP 3 - School Facility Payments current	0.00	640,441	0	0	640,441	0.00	640,441	0	0	640,441
DP 4 - Transportation Aid	0.00	200,000	0	0	200,000	0.00	300,000	0	0	300,000
DP 5 - School District Audit Filing Fee	0.00	8,300	0	0	8,300	0.00	12,700	0	0	12,700
DP 9 - Biennial Appropriations	0.00	472,608	0	0	472,608	0.00	472,608	0	0	472,608
DP 13 - School To Work	0.00	0	0	(300,000)	(300,000)	0.00	0	0	(2,448,249)	(2,448,249)
DP 14 - Job Training Partnership Act (JTPA)	0.00	0	0	(240,705)	(240,705)	0.00	0	0	(240,705)	(240,705)
DP 15 - Federal Grant Awards	0.00	0	0	9,726,500	9,726,500	0.00	0	0	13,456,500	13,456,500
DP 23 - Reduce to anticipated drivers' license revenue	0.00	0	(250,000)	0	(250,000)	0.00	0	(250,000)	0	(250,000)
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$7,693,213</b>	<b>(\$250,000)</b>	<b>\$9,185,795</b>	<b>\$16,629,008</b>	<b>0.00</b>	<b>\$2,251,454</b>	<b>(\$250,000)</b>	<b>\$10,767,546</b>	<b>\$12,769,000</b>
<b>Grand Total All Present Law Adjustments</b>					<b>\$16,629,008</b>					<b>\$12,769,000</b>

### Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

**DP 1 - K-12 Base Aid** - The legislature approved funding for present law adjustments for BASE aid expenditures of \$6.4 million in fiscal 2002 and \$0.8 million in fiscal 2003. The number of children (ANB) served during the 2003 biennium will be 306,085 compared to 317,130 during the 2001 biennium.

**DP 3 - School Facility Payments Current** - The legislature approved general fund appropriation authority \$640,441 in each year of the 2003 biennium to bring funding of the school facility reimbursement project to the fiscal 2001 level. School facility payments are made to schools to help them pay debt service on building bonds sold after July 1, 1991. The payments are made to low-wealth school districts and are based on statutorily-set entitlement amounts per ANB and a GTB formula. If the amount required is not sufficient to fund all eligible districts, the amount is prorated. During the 1999 session, HB 2 established school facility payments at \$3.5 million in fiscal 2000 and \$4 million in fiscal 2001. The amount spent in fiscal 2000 was less than the appropriation by \$140,441 because the prorated amount was 100 percent of the statutorily-set entitlement. The Missoula High School District passed a new building bond issue in 1999 that will require use of the full \$4 million, with a pro-ratio factor of less than 100 percent.

**DP 4 - Transportation Aid** - The legislature approved a present law adjustment of \$200,000 in fiscal 2002 and \$300,000 in fiscal 2003. The present law adjustment is for anticipated increases in the formula-driven amount paid by the state, which is matched by county property taxes.

**DP 5 - School District Audit Filing Fee** - The legislature approved an increase of 3 percent per year in school district audit filing fees to pay the Department of Commerce for the expenses it incurs when auditing school districts. Payment of this fee is required by Section 2-7-514(2), MCA; the Department of Commerce's fee schedule varies directly with school district revenues.

DP 9 - Biennial Appropriations - The legislature approved adjustments to three programs - the instate treatment program, secondary vocational education program, and the gifted and talented program. The requested adjustment would bring funding to exactly half of the historical biennial spending levels.

DP 13 - School To Work - Federal funds are decreasing for the School-to-Work Program. Fiscal 2002 will be the last year for the program. The legislature approved elimination of all authority.

DP 14 - Job Training Partnership Act (JTPA) - The JTPA was not reauthorized by Congress, but has become part of Title I of the Work Force Investment Act of 1998. OPI will no longer need spending authority for JTPA funds.

DP 15 - Federal Grant Awards - The legislature approved present law adjustments of \$9.7 million in fiscal 2002 and \$13.5 million in fiscal 2003.

All of the grant awards are flow-through funds to be distributed to school districts. The amounts are estimated based upon the most recent federal appropriations bill. All ESEA (Elementary and Secondary Education Act) title grants award financial assistance on the basis of measures of low income and relative size of school, with the exception of Title III, which provides grants for the technology and literacy program on a competitive basis.

- ?? Title I includes financial assistance to districts so that the special education needs of educationally deprived children can be met. The act is targeted at districts with high concentrations of children coming from low-income families, and for children in local institutions for neglected and delinquent children
- ?? Title II is the Eisenhower Professional Development Project. It provides funding to improve the skills of teachers by supporting professional development in mathematics and science, as well as other technical fields
- ?? Title VI is the Innovative Education Grant. It provides funding to ensure that homeless children and youth enroll in, attend, and achieve in school
- ?? Title VII is the Immigrant Education Grant, which provides funding for immigrant children
- ?? IDEA (Individuals with Disabilities Education Act) supports special education school improvement projects for students with disabilities. The grants provide assistance to districts and state agencies in support of meeting the training needs of personnel who work with students with disabilities
- ?? Homeless Children Grants are competitive awards to districts for projects associated with identifying and educating homeless children
- ?? The Learn and Serve Program provides competitive grants for creative partnerships between children and businesses, who together engage in community-action projects
- ?? The School Foods Program provides funding for meals served to low-income children in every school district

DP 23 - Reduce to Anticipated Drivers' License Revenue - A portion of the revenue in this state special revenue account comes from drivers' license fees. Between fiscal 1997 and fiscal 2000, revenue from drivers' license fees was accelerated for 4 years due to the conversion from 4-year licenses to 8-year licenses. Because the revenue from drivers' licenses will return to levels similar to those observed before the change, the legislature reduced expenditures in this account by \$250,000 in each year of the 2003 biennium.



New Proposals										
Prgm	FTE	Fiscal 2002				Fiscal 2003				
		General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 1 - K-12 Base Aid increase										
09	0.00	0	0	0	0	0.00	14,439,914	0	0	14,439,914
DP 3 - School Facility Payments										
09	0.00	350,000	0	0	350,000	0.00	700,000	0	0	700,000
DP 8 - Adult Basic Education										
09	0.00	25,000	0	0	25,000	0.00	25,000	0	0	25,000
DP 16 - Comprehensive School Reform										
09	0.00	0	0	963,061	963,061	0.00	0	0	963,061	963,061
DP 17 - Reduced Class Size										
09	0.00	0	0	7,605,780	7,605,780	0.00	0	0	9,492,523	9,492,523
DP 19 - Advanced Placement Incentive Prog.										
09	0.00	0	0	194,900	194,900	0.00	0	0	238,600	238,600
DP 51 - Emergency School Renovation										
09	0.00	0	0	5,428,913	5,428,913	0.00	0	0	5,428,913	5,428,913
DP 65 - SB65 GTB										
09	0.00	0	0	0	0	0.00	900,000	0	0	900,000
DP 121 - HB121 - BASE Aid Increase										
09	0.00	8,098,978	0	0	8,098,978	0.00	2,436,219	0	0	2,436,219
DP 390 - SB390-Flex Account										
09	0.00	0	0	0	0	0.00	5,000,000	5,083,000	0	10,083,000
<b>Total</b>	<b>0.00</b>	<b>\$8,473,978</b>	<b>\$0</b>	<b>\$14,192,654</b>	<b>\$22,666,632</b>	<b>0.00</b>	<b>\$23,501,133</b>	<b>\$5,083,000</b>	<b>\$16,123,097</b>	<b>\$44,707,230</b>

### New Proposals

DP 1 - K-12 Base Aid Increase - The legislature approved an increase above present law of \$14.4 million in BASE aid to schools in the 2003 biennium. The increase includes approximately a \$13.4 million increase in BASE aid, in addition to a \$1.0 million increase in Special Education funding for fiscal 2003. The total increase in BASE aid includes the increase shown here plus the increase shown in DP 121. The total increase in BASE Aid approved by the legislature for the 2003 biennium is \$25.6 million. A portion of this increase is shown as a present law adjustment in DP 1.

DP 3 - School Facility Payments - The legislature approved an increase in school facility payments of \$350,000 in fiscal 2002 and \$750,000 in fiscal 2003. Recent passage of a number of building bonds - the largest of which is in the Missoula High School District - will increase the demand for school facility reimbursements. In addition, possible passage of building bonds in Browning and Kalispell would further increase the demand for school facility reimbursements. While the full appropriation for fiscal 2000 was under-spent by \$140,441, the passage of the building bonds will reduce the amount available for other schools if the amount authorized for the 2003 biennium remains at the present law amount.

DP 8 - Adult Basic Education - The legislature approved an increase of \$25,000 for each year of the 2003 biennium. The program has had an annual allocation of \$250,000 throughout the 1990's.

DP 16 - Comprehensive School Reform - The legislature approved continuation of the federal Comprehensive School Reform Program at \$963,061 in both years of the 2003 biennium. The program funds school reform efforts to improve low-performing students and to provide technical assistance and curriculum development to school personnel.

DP 17 - Reduced Class Size - The legislature approved continued federal funding for the Reduced Class Size initiative at \$7.6 million in fiscal 2002 and \$9.5 million in fiscal 2003. The program funds the hiring of additional teachers, aides, and specialized personnel - primarily for grades K-3 - in order to reduce class sizes.

DP 19 - Advanced Placement Incentive Program - The Office of Public Instruction has applied to participate in the federally-funded Advanced Placement Incentive Program, which reimburses a major portion of the cost for low-income students taking advanced placement (AP) tests in the spring of each year of the biennium. In addition, the OPI is forming a consortium with the Office of the Commissioner of Higher Education (OCHE) to build a permanent support system and to provide services that will enable low-income students to adequately prepare for challenging coursework in the higher

grades, and which will encourage success in college. (For further discussion, see the preceding narrative in the OPI Administration Program.)

DP 51 - Emergency School Renovation - The legislature approved funding of \$11.0 million for the Federal Emergency Renovation for Schools project. The program provides grants to local educational agencies to help make urgently needed repairs and to pay for special education and construction-related technology expenses. Funds are distributed to states based on Title I Local Education Agency grant shares. States distribute 75 percent of their awards on a competitive basis to local educational agencies to make urgently needed school repairs, such as repair of roofs, plumbing and heating systems, or meeting fire and safety codes. The remaining 25 percent of a state's award is distributed competitively to local educational agencies to use for technology activities related to school renovation or for activities authorized under Part B of the IDEA. School districts apply to the State to receive funding for either purpose.

DP 65 – SB 65 GTB - The legislature added \$900,000 in GTB payments to schools to reflect passage of SB 65. SB 65 requires districts to budget for receipt of tuition funds in the overBASE portion of the district general fund. Previous law required tuition receipts be budgeted in the BASE portion of the general fund.

DP 121 – HB 121 - BASE Aid Increase – HB 121 increases entitlements by 1.88 percent in fiscal 2002 and by 1.88 percent in fiscal 2003. The increase in the fiscal 2003 is contingent on non-enjoinment of SB 495 before April 1, 2002. If SB 495 is enjoined before April 1, 2002, the schedule increase in the fiscal 2003 is 0.79 percent. The amount shown here assumes SB 495 is upheld, and adds \$10.5 million in BASE Aid budget authority. This represents only a portion of the increase in BASE aid. The remaining increase is detailed in DP 121.

DP 390 – SB 390-Flex Account - The legislature approved the transfer of \$5,000,000 in fiscal 2003 from the general fund to the School Flexibility Account. The money plus interest will be transferred out of the state School Flexibility Account to district flexibility accounts. The total spending authority out of the School Flexibility Account is \$5,083,000.

### **Language**

The Office of Public Instruction may distribute funds from the appropriation in item [Instate Treatment] to public school districts for the purpose of providing educational costs of children with significant behavioral or physical needs.

Items [All General Funds and All Federal Funds] are biennial appropriations.

Item [Timber Harvest for Technology] is for school technology as provided in 20-9-534. The amount expended may not exceed the amount paid into the general fund under the provisions of 20-9-343(3)(a)(ii).

Money deposited in the general fund for fiscal 2001 under 20-9-343(3)(a)(ii) must be transferred to the school technology account in the state special revenue fund in fiscal 2002.

If HB 41 is not passed and approved in the form that statutorily appropriates timber harvest funds to schools for technology acquisitions, there is a restricted, biennial general fund appropriation of \$1,250,000 in fiscal year 2002 and \$1,600,000 in fiscal year 2003. In addition, if HB 41 is not passed and approved, the amendment to the reference copy of [this act] striking the language accompanying the timber harvest appropriation and inserting language is void. (Note: HB 41 was passed and approved.)

If SB 495 is enjoined before April 1, 2002, items [SB 390 - Transfer to School Flexibility Account] and [School Flexibility Account] are void.